



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

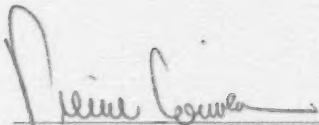
AGRICULTURE AND AGRI-FOOD CANADA

**Future-Oriented Financial Statements (Unaudited)
For the years ending March 31, 2011 and 2012**

Canada 

Statement of Management Responsibility

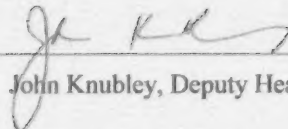
Department management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at January 24, 2011 and reflect the plans described in the Report on Plans and Priorities.



Pierre Corriveau, Chief Financial Officer

Ottawa, Canada

March 3, 2011



John Knuble, Deputy Head

AGRICULTURE AND AGRI-FOOD CANADA
Future-oriented Statement of Operations (Unaudited)
For the Year Ending March 31
(in thousands of dollars)

	Estimated Results 2011	Forecast 2012
Expenses		
Business Risk Management	\$ 2,309,091	\$ 1,869,442
Internal Services	440,315	419,534
Science, Innovation and Adoption	394,227	287,651
Trade and Market Development	126,589	138,169
On-Farm Action	176,299	177,531
Food Safety and Biosecurity Risk Management Systems	157,944	99,957
Environmental Knowledge, Technology, Information and Measurement	67,502	63,486
Agri-Business Development	106,578	87,168
Rural and Co-operatives Development	25,521	24,857
Canadian Pari-Mutuel Agency	14,514	11,211
Regulatory Efficiency Facilitation	26,883	35,678
Farm Products Council of Canada	2,973	2,771
Total expenses	3,848,436	3,217,455
Revenues		
Business Risk Management	86,585	84,817
Internal Services	-	-
Science, Innovation and Adoption	14,960	14,960
Trade and Market Development	-	-
On-Farm Action	20,400	21,800
Food Safety and Biosecurity Risk Management Systems	1,540	1,540
Environmental Knowledge, Technology, Information and Measurement	5,500	5,500
Agri-Business Development	-	-
Rural and Co-operatives Development	-	-
Canadian Pari-Mutuel Agency	13,782	11,180
Regulatory Efficiency Facilitation	-	-
Farm Products Council of Canada	-	-
Total revenues	142,767	139,797
Net cost of operations	\$ 3,705,669	\$ 3,077,658

Information for the year ended March 31, 2011 includes actual amounts from April 1, 2010 to December 31, 2010.

Segmented information (Note 9)

The accompanying notes form an integral part of these future-oriented financial statements.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Future-Oriented Financial Statements (*Unaudited*)

For the Years Ending March 31

(tabular amounts in thousands of dollars)

1. Authority and objectives

The Department of Agriculture and Agri-Food was originally established in 1868. Under the *Department of Agriculture and Agri-Food Act*, the Minister is responsible for agriculture, products derived from agriculture and research related to agriculture and products derived from agriculture including the operation of experimental farm stations, unless they have been assigned by law to another department, board or agency.

The Department provides information, research and technology, and policies and programs to achieve security of the food system, health of the environment and innovation for growth.

Detailed information on Agriculture and Agri-Food Canada's program activities can be found in Section II of the Report on Plans and Priorities.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Future-Oriented Financial Statements (*Unaudited*)

For the Years Ending March 31

(tabular amounts in thousands of dollars)

2. Significant assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The majority of the department's activities will remain the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated year end information for 2010-11 is used as the opening position for the 2011-12 forecasts.

These assumptions are adopted as at January 24, 2011.

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Notes to the Future-Oriented Financial Statements (*Unaudited*)
For the Years Ending March 31
(tabular amounts in thousands of dollars)

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2010-11 and for 2011-12, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements Agriculture and Agri-Food Canada has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- (b) Economic conditions may affect both the amount of payments to producers and the collectability of loan receivables.
- (c) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.

Once the Report on Plans and Priorities is presented, Agriculture and Agri-Food Canada will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

AGRICULTURE AND AGRI-FOOD CANADA
Notes to the Future-Oriented Financial Statements (*Unaudited*)
For the Years Ending March 31
(tabular amounts in thousands of dollars)

4. Summary of Significant Accounting Policies

The future-oriented financial statements have been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – Agriculture and Agri-Food Canada is financed by the Government of Canada through Parliamentary appropriations. The cash accounting basis is used to recognize transactions affecting parliamentary appropriations. The future-oriented financial statements are based on accrual accounting. Consequently, items presented in the Future-oriented Statement of Operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a reconciliation between the bases of reporting.

(b) Consolidation – these future-oriented financial statements include forecast information from the following sub-entities of the department for which the Department has stewardship responsibility. The forecasts of these sub-entities have been consolidated with those of the department and all inter-organizational balances and transactions have been eliminated. The accounting entity comprises of the Department of Agriculture and Agri-Food, the Farm Products Council of Canada, and the Canadian Pari-Mutuel Agency. The future-oriented financial statements do not include the accounts of the Canadian Food Inspection Agency, the Canadian Wheat Board, the Canadian Grain Commission, the Canadian Dairy Commission and Farm Credit Canada because they are not under the control of Agriculture and Agri-Food Canada.

(c) Revenues – are presented on an accrual basis:

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.

Funds that have been received are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Refunds of prior year expenses are recorded in the period when they are received.

Interest revenue is recognized when earned. Interest revenue ceases to be accrued when either principal or interest is not reasonably collectable.

AGRICULTURE AND AGRI-FOOD CANADA
Notes to the Future-Oriented Financial Statements (*Unaudited*)
For the Years Ending March 31
(tabular amounts in thousands of dollars)

(d) Expenses – are presented on an accrual basis:

Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements;

Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, legal services and workers' compensation coverage are reported as operating expenses at their estimated cost.

(e) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the Department to make contributions for any actuarial deficiencies of the Plan.

(ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(f) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial information.

(g) Environmental liabilities – Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Future-Oriented Financial Statements (*Unaudited*)

For the Years Ending March 31

(tabular amounts in thousands of dollars)

when the Department becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the Department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the future-oriented financial statements.

(h) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The Department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Buildings	20 to 30 years
Works and infrastructure	15 to 40 years
Machinery and equipment	7 to 20 years
Vehicles	7 to 25 years
Computer Hardware and Software	3 to 5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

AGRICULTURE AND AGRI-FOOD CANADA
Notes to the Future-Oriented Financial Statements (Unaudited)
For the Years Ending March 31
(tabular amounts in thousands of dollars)

5. Parliamentary Appropriations

The Department receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Authorities requested

	<u>Estimated 2011</u>	<u>Forecast 2012</u>
Authorities requested:		
Vote 1 - Operating expenditures	\$ 778,738	\$ 751,397
Vote 5 - Capital expenditures	57,860	28,150
Vote 10 - Transfer payments	577,103	436,559
Vote 20 - CPMA Program Expenditures	345	-
Statutory amounts	2,293,355	1,882,921
Forecast authorities available	<u>\$ 3,707,401</u>	<u>\$ 3,099,027</u>

Forecast authorities requested for the year ending March 31, 2012 are the planned spending amounts presented in the 2011-12 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31, 2011 include amounts presented in the 2010-11 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

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(tabular amounts in thousands of dollars)

(b) Reconciliation of net cost of operations to requested authorities:

	Estimated 2011	Forecast 2012
Net cost of operations	\$ 3,705,669	\$ 3,077,658
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments	(76,338)	(89,344)
Net Crop Re-insurance Fund revenues	77,050	74,384
Amortization of tangible capital assets	(42,347)	(42,364)
Bad debt expense	(13,937)	(16,150)
Increase in vacation pay and compensatory leave	(1,043)	(1,070)
Increase in employee future benefits	(14,738)	9,297
Increase in accrued liabilities not charged to authorities	10,919	17,344
Revenue not available for spending	1,421	1,812
Refunds of previous years' expenditures	(3,209)	4,646
	<u>(62,222)</u>	<u>(41,445)</u>
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	43,563	34,117
Repayable contributions	20,391	28,697
	<u>63,954</u>	<u>62,814</u>
Forecast authorities available	<u>\$ 3,707,401</u>	<u>\$ 3,099,027</u>

AGRICULTURE AND AGRI-FOOD CANADA
Notes to the Future-Oriented Financial Statements (Unaudited)
For the Years Ending March 31
(tabular amounts in thousands of dollars)

6. Employee Benefits

(a) Pension benefits:

The department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The forecast expenses are \$59,418,778 in 2010-11 and \$60,131,483 in 2011-12.

The department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, estimated as at the date of these statements, is as follows:

	Estimated Results 2011	Forecast 2012
Accrued benefit obligation, beginning of year	\$ 104,857	\$ 119,595
Expense for the year	23,250	1,106
Expected benefits payments during the year	(8,512)	(10,403)
Accrued benefit obligation, end of year	<u>\$ 119,595</u>	<u>\$ 110,298</u>

AGRICULTURE AND AGRI-FOOD CANADA
Notes to the Future-Oriented Financial Statements (*Unaudited*)
For the Years Ending March 31
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7. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the department is obligated or likely to be obligated to incur such costs. As at the date of the preparation of these future-oriented financial statements, the department had identified approximately 18 sites where such action is possible and for which a liability of \$1,358,938 has been recorded. The department has estimated additional clean-up costs of \$2,612,380 that are not accrued, as these are not considered likely to be incurred at this time. Additional new sites, changes in the remediation approach or material changes in amounts accrued or not accrued are not forecasted for the future years presented in these statements. However, the department's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the department in the year in which they become known.

(b) Claims and litigation

Claims have been made against the department in the normal course of operations. As at the date of the preparation of these future-oriented financial statements, legal proceedings for claims totalling approximately \$14,006,481 are pending.

AGRICULTURE AND AGRI-FOOD CANADA

Notes to the Future-Oriented Financial Statements (*Unaudited*)

For the Years Ending March 31

(*tabular amounts in thousands of dollars*)

8. Related party transactions

The department is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the Department received common services which were obtained without charge from other Government departments as disclosed below.

Common services provided without charge by other government departments

During the year the department is forecasted to receive without charge from other departments, accommodation, legal fees, workers' compensation coverage and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's future-oriented Statement of Operations as follows:

	Estimated Results 2011	Forecast 2012
Employer's contribution to the health and dental insurance plans	\$ 43,541	\$ 48,843
Accommodation	29,237	36,730
Legal services	1,956	2,249
Workers' Compensation	1,604	1,522
Total	<u>\$ 76,338</u>	<u>\$ 89,344</u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the department's Statement of Operations.

AGRICULTURE AND AGRI-FOOD CANADA
Notes to the Future-Oriented Financial Statements (Unaudited)
For the Year Ending March 31
(tabular amounts in thousands of dollars)

9. Segmented information

	2011 Total	BRM	IS	SIA	TMD	OFA	RMS	EKTIM	ABD	RCD	CPMA	REF	FPCC	2012 Total
Expenses														
Transfer payments	\$2,757,985	\$1,765,290	\$ -	\$158,032	\$43,608	\$92,825	\$64,938	\$6,873	\$63,488	\$12,195	\$ -	\$ -	\$200	\$2,207,449
Salaries and employee benefits	659,562	68,136	224,623	105,512	45,622	68,005	20,349	37,232	2,313	9,008	4,514	14,815	1,658	601,787
Professional and other services	156,345	15,116	52,020	8,910	24,711	3,062	3,541	8,534	20,130	1,969	5,698	14,169	426	158,286
Allowance for loan guarantees and bad debts	21,446	15,505	(611)	2,526	1,147	352	556	2,816	101	175	68	128	-	22,763
Materials and supplies	78,396	523	24,222	9,240	11,945	7,497	7,777	4,555	76	106	113	4,618	150	70,822
Amortization of tangible capital assets	42,347	-	42,210	-	-	-	-	-	-	-	154	-	-	42,364
Accommodation	49,499	710	35,978	214	7,169	1,137	298	206	-	59	462	330	36	46,599
Travel	23,148	410	6,153	2,211	2,390	1,381	2,217	2,675	1,056	1,343	185	1,422	255	21,698
Repairs and maintenance	29,930	632	17,251	955	1,572	2,998	281	592	4	2	12	196	46	24,541
Electricity and other public services	27,164	-	17,688	51	5	274	-	3	-	-	5	-	-	18,026
Crop Re-insurance Fund	2,614	3,120	-	-	-	-	-	-	-	-	-	-	-	3,120
Total expenses	3,848,436	1,869,442	419,534	287,651	138,169	177,531	99,957	63,486	87,168	24,857	11,211	35,678	2,771	3,217,455
Revenues														
Crop Re-insurance Fund	79,664	77,504	-	-	-	-	-	-	-	-	-	-	-	77,504
Sale of goods and services	48,425	1,768	-	13,049	-	20,833	909	5,154	-	-	11,143	-	-	52,856
Interest	6,476	2,194	-	18	-	26	9	23	-	-	37	-	-	2,307
Joint project and cost sharing agreements	4,653	3,291	-	-	-	-	-	-	-	-	-	-	-	3,291
Gain on disposal of assets	3,549	60	-	1,893	-	941	622	323	-	-	-	-	-	3,839
Total Revenues	142,767	84,817	-	14,960	-	21,800	1,540	5,500	-	-	11,180	-	-	139,797
Net cost of operations	\$3,705,669	\$1,784,625	\$419,534	\$272,691	\$138,169	\$155,731	\$98,417	\$57,986	\$87,168	\$24,857	\$31	\$35,678	\$2,771	\$3,077,658

*BRM – Business Risk Management; IS – Internal Services; SIA – Science, Innovation and Adoption; TMD – Trade and Market Development; OFA – On-Farm Action; RMS – Food Safety and Biosecurity Risk Management Systems; EKTIM – Environmental Knowledge, Technology, Information and Measurement; ABD – Agri-Business Development; RCD – Rural and Co-operatives Development; CPMA – Canadian Pari-Mutuel Agency; REF – Regulatory Efficiency Facilitation; FPCC – Farm Products Council of Canada.